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## A-76 Initiatives and Project Jump Start: The Coming Tidal Wave

In the next several years a tidal wave of A-76 initiatives will hit every Air Force command and installation. Even “tidal wave” is an understatement, since a tidal wave hits only once. The A-76 tsunami will have a huge impact for years to come. This reenergizing of A-76, and the larger thrust for outsourcing and privatization (O&P) of which it is a part, results from senior leadership’s plan to make Air Force infrastructure more efficient and cost-effective, thus making more funds available for force modernization. While our force structure has been cut back significantly in recent years after the Cold War, our supporting infrastructure has not yet been similarly reduced. Desert Storm perhaps settled forever arguments about quality versus quantity in weapons systems: it was superior technology, along with the world’s best trained military, that resulted in a quick victory with relatively few casualties. Given the deficit-fighting environment among the American public, we can only afford the next generation of advanced technology weapons if efficiencies are realized elsewhere. That “elsewhere” is in the business domain, in those support functions at every installation which are not inherently governmental or essential for military to perform.

“A-76” refers to the Office of Management and Budget’s (OMB) Circular A-76, a document which outlines a very American principle: that the Federal government has certain duties and exists for the sake of these duties. Beyond what is necessary to accomplish these duties the government should not venture without good reason. The principles of A-76 have been invoked by the government for a long time: since the 1950’s the Federal government’s official position has been that the government will not compete with the private sector to perform commercial activities. The theory is that government should limit itself to those activities that are inherently governmental or military essential (e.g., combat and direct com-

bat support, printing money, or deciding on the use of government resources). Another reason for the policy is that the private sector has incentives from competition and the profit motive to perform commercial activities more efficiently than the government. Government organizations can suffer from inertia—the tendency to keep an organization static despite changes in mission or workload. Admittedly private sector organizations can also manifest such inertia, but market disciplines pose a countervailing force to oppose this tendency.

Federal agencies did not aggressively implement this government commercial activity policy until OMB began to emphasize A-76 policy in the late 1970’s. The program has always been controversial because it challenges the status quo. Also, in DoD, commanders like the flexibility of having functions performed by military or federal civilians, compared to the often more precisely defined limits of contract performance. But such flexibility in many base functions is a luxury which we can no longer afford when the defense budget, in the absence of a significant conflict, will not be growing (except for inflation) for the foreseeable future and the next generation of advanced war-fighting weapons will be very expensive.

Does A-76 mean “contracting out?” This is a common misconception. The name of the game from the DoD and Air Force view is competition. Sometimes we use an A-76 cost comparison to bring functions back in-house. The possibility of doing so puts pressure on contractors to keep any cost increases to a reasonable level. While contractors have historically won about 60% of competitions, the 40% won by in-house organizations is the result of the way the Air Force has managed the program: government employees have always been given a fair chance to prove they’re competitive and win the work, while the process has re-

mained faithful to OMB-directed rules. However, in 1996 OMB's rules changed: a new 12% overhead factor added to in-house personnel costs may mean fewer in-house decisions. While it is too early to tell if this is the case, the in-house has won several cost comparisons since the new factor has been in effect. The organizational reengineering that takes place in developing the most efficient in-house organization has historically resulted in a 30-35% reduction in employees. Thus, savings are realized even if the in-house bid wins, or if a contractor wins and his or her cost of performance somewhat exceeds the bid. Since winning contractors must beat the government estimate by 10% of in-house personnel costs, and the government's bid is usually a 30-35% reduction, a contract increase would have to be 40-45% over their bid for there not to be savings.

Jump Start is the code name for what is only the first round of Air Force O&P efforts. Yet Jump Start plans on more A-76 initiatives in the FYDP

than the Air Force has done in the last 20 years—a very tall order, though doable. Large scale contract operations are not entirely new to the Air Force—Vance AFB has been known since the 1960's as “the base run by a contractor.” Perhaps more bases will follow that route, though government employees will always have a decent chance to win. And of course, comptroller offices will be in the middle of all this action with budget analysts serving on A-76 steering groups and financial analysts performing independent reviews. AF/XPMR has coordinated on the SAF/FM position that budget, independent reviews, and oversight of cost estimating are inherently governmental functions. While comptrollership is reengineering in many ways (travel pay and regionalization of accounting and finance), core comptroller activities will be around to participate in the A-76 process. So be prepared in your own expertise area for this tidal wave of A-76 activity! For the Air Force to get to future battles “firstest with the mostest,” it's got to happen.



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